



ANDRÉS
wines ltd.

annual report
march 31, 1975

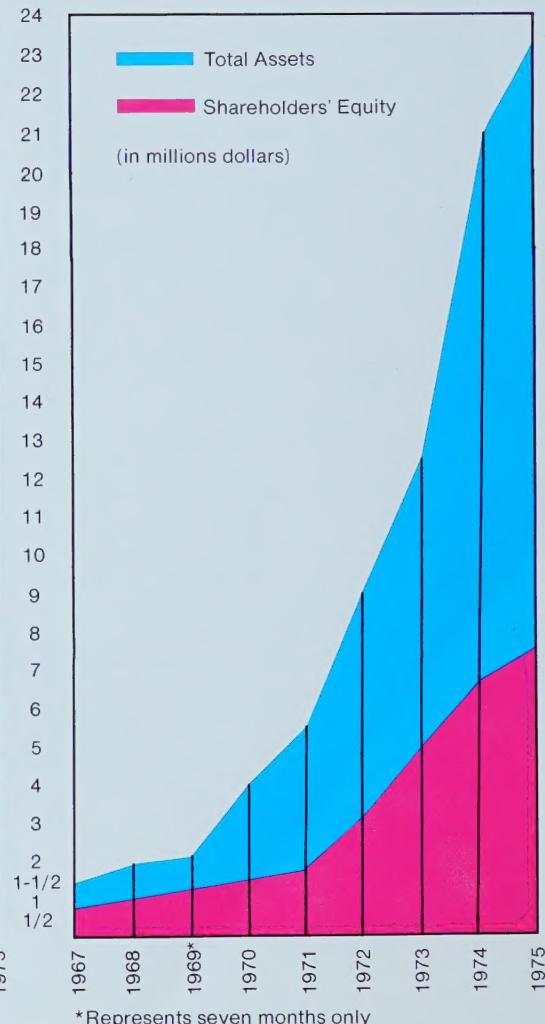
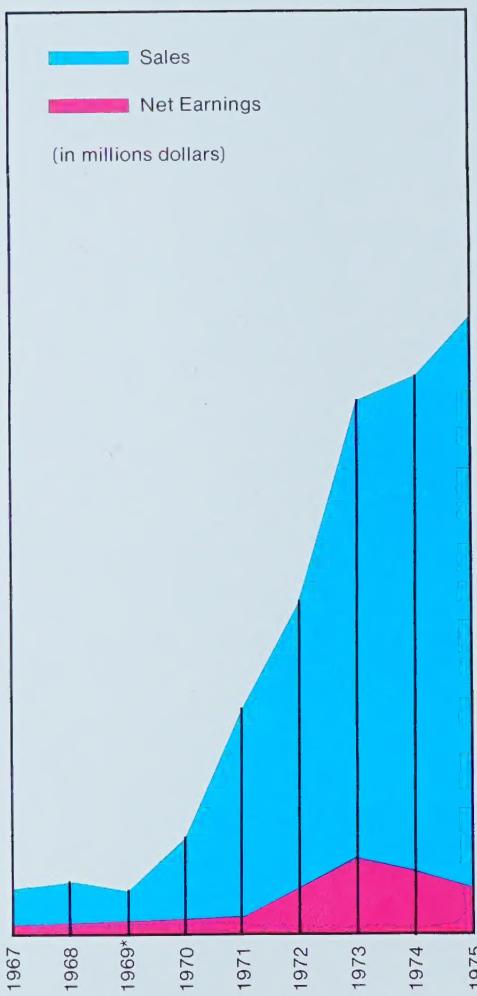




The Year in Review

(in thousands dollars)

	1975	1974
Sales.....	16,174	14,534
Depreciation....	681	525
Income Taxes....	1,047	1,215
Net Earnings....	1,250	1,728
Net Earnings per share (in dollars)		
—Basic.....	1.27	1.84
—Fully Diluted....	1.13	1.62
Dividends.....	613	307
—per preferred share....	.60¢	.60¢
—per common share....	.60¢	.30¢
Total Assets.....	23,327	20,938
Shareholders' Equity.....	7,443	6,793





Consolidated Statement of Earnings

For the Year Ended March 31, 1975 (Note 1)

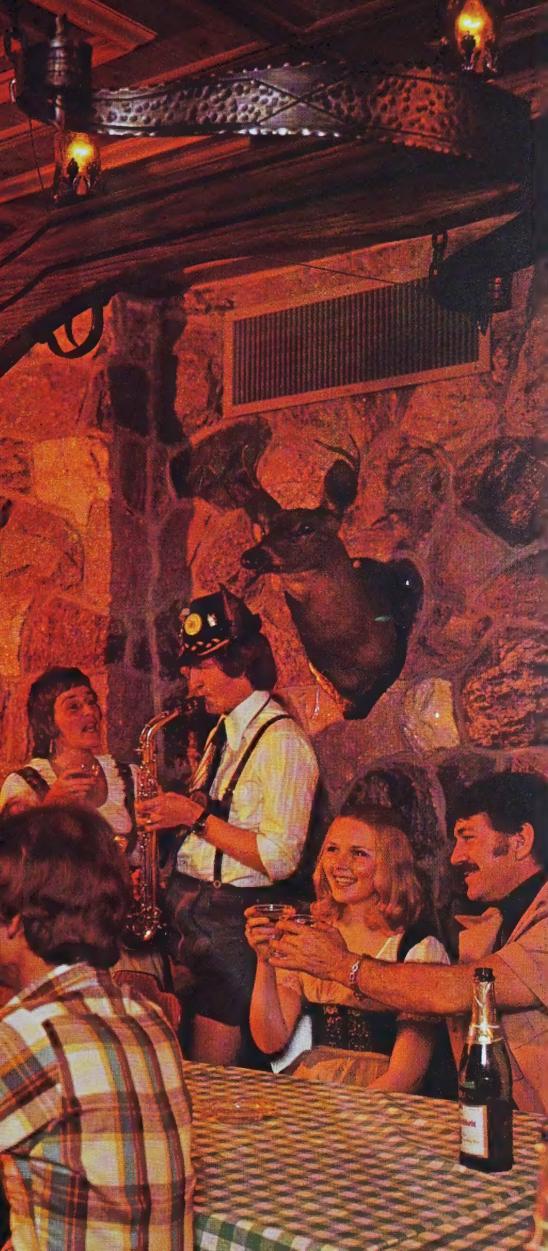
	1975	1974
	\$	\$
SALES	<u>16,174,042</u>	<u>14,533,970</u>
 COSTS AND EXPENSES		
Manufacturing, selling and administration	12,511,566	10,592,809
Depreciation	681,273	524,539
Interest on long-term debt	582,130	340,801
Amortization of deferred charges	22,532	25,838
	<u>13,797,501</u>	<u>11,483,987</u>
	<u>2,376,541</u>	<u>3,049,983</u>
 PROVISION FOR INCOME TAXES		
Current	877,000	543,321
Deferred	170,000	671,679
	<u>1,047,000</u>	<u>1,215,000</u>
	<u>1,329,541</u>	<u>1,834,983</u>
 MINORITY INTEREST IN NET EARNINGS OF SUBSIDIARY COMPANIES	<u>79,325</u>	<u>107,347</u>
 NET EARNINGS FOR THE YEAR	<u>1,250,216</u>	<u>1,727,636</u>
 EARNINGS PER COMMON SHARE (Note 7)		
Basic	<u>\$1.27</u>	<u>\$1.84</u>
Fully diluted	<u>\$1.13</u>	<u>\$1.62</u>

Consolidated Statement of Retained Earnings

For the Year Ended March 31, 1975 (Note 1)

	1975	1974
	\$	\$
 BALANCE — BEGINNING OF YEAR	5,293,435	3,872,683
Net earnings for the year	<u>1,250,216</u>	<u>1,727,636</u>
	<u>6,543,651</u>	<u>5,600,319</u>
 Dividends — Common	575,477	286,895
— Preferred	37,951	19,989
	<u>613,428</u>	<u>306,884</u>
 BALANCE — END OF YEAR	<u>5,930,223</u>	<u>5,293,435</u>





Consolidated Statement of Changes in Financial Position

For the Year Ended March 31, 1975 (Note 1)

	1975	1974
	\$	\$
SOURCE OF WORKING CAPITAL		
Net earnings for the year	1,250,216	1,727,636
Items not affecting working capital —		
Depreciation	681,273	524,539
Amortization of deferred charges and other assets	22,532	25,838
Deferred income taxes (Note 5)	170,000	671,679
Minority interest in net earnings of subsidiary companies	79,325	107,347
Provided from operations	2,203,346	3,057,039
Increase in long-term debt — net (Note 4)	—	1,322,539
Working capital acquired on acquisition of subsidiary company	—	1,184,490
Proceeds on exercise of common share options	12,916	363,030
Decrease in agreement receivable	1,081	296
	<u>2,217,343</u>	<u>5,927,394</u>
USE OF WORKING CAPITAL		
Additions to fixed assets	461,498	2,832,962
Purchase of shares of subsidiary companies	7,975	2,236,452
Dividends	615,738	309,194
Increase in deferred charges	16,970	—
Decrease in long-term debt — net (Note 4)	685,704	—
	<u>1,787,885</u>	<u>5,378,608</u>
INCREASE IN WORKING CAPITAL		
	429,458	548,786
WORKING CAPITAL — BEGINNING OF YEAR		
	<u>3,613,645</u>	<u>3,064,859</u>
WORKING CAPITAL — END OF YEAR		
	<u>4,043,103</u>	<u>3,613,645</u>



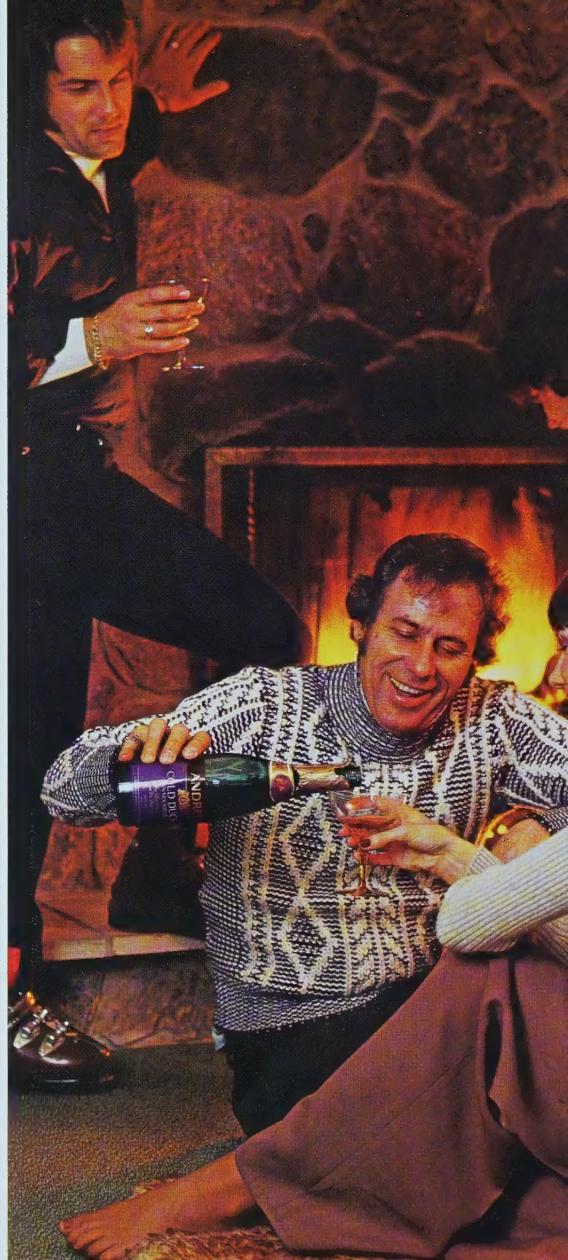


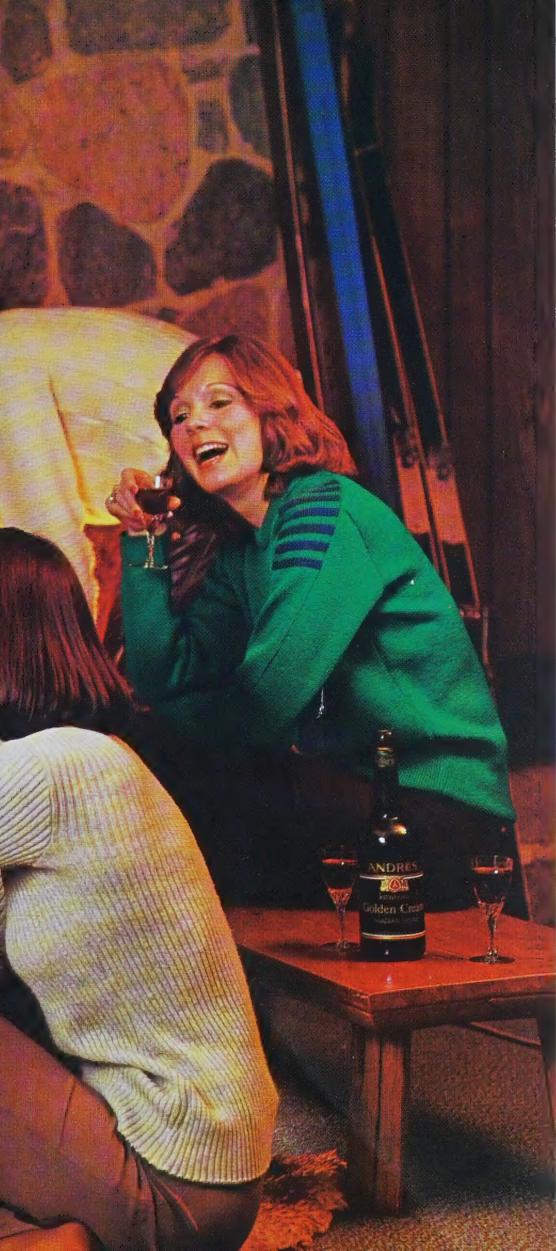
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Consolidated Balance Sheet as at March 31, 1975

(Note 1)

Assets	1975	1974
	\$	\$
CURRENT ASSETS		
Accounts receivable	1,892,837	1,708,844
Inventories of wine and supplies — at the lower of cost and net realizable value	11,491,423	8,711,898
Prepaid expenses	239,886	192,678
Income taxes recoverable	<u>147,916</u>	<u>537,343</u>
	<u>13,772,062</u>	<u>11,150,763</u>
 7% AGREEMENT RECEIVABLE ON SALE OF LAND		
— Due September 1, 1984	<u>31,079</u>	<u>32,160</u>
 FIXED ASSETS		
Land, buildings and machinery and equipment — at cost less accumulated depreciation (Note 2) ..	9,436,811	9,655,513
Leasehold improvements — at cost less amortization	<u>34,577</u>	<u>42,175</u>
	<u>9,471,388</u>	<u>9,697,688</u>
 DEFERRED CHARGES — at cost less amortization . . .		
	<u>52,210</u>	<u>57,772</u>
 Signed on behalf of the board:		
J. A. Peller, Director	<u>23,326,739</u>	<u>20,938,383</u>
C. Norwood, Director		





Liabilities

	1975	1974
	\$	\$
CURRENT LIABILITIES		
Bank advances (Note 3)	7,256,041	5,623,239
Accounts payable and accrued liabilities	907,276	700,016
Dividends payable	144,238	286,895
Income and other taxes payable	735,704	241,268
Current portion of long-term debt	685,700	685,700
	<hr/>	<hr/>
	9,728,959	7,537,118
LONG-TERM DEBT (Note 4)		
	4,307,120	4,992,824
DEFERRED INCOME TAXES (Note 5)		
	1,184,500	1,014,500
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY COMPANIES (including \$324,515 applicable to preferred shares — 1974 — \$338,915)		
	<hr/>	<hr/>
	663,389	600,874
	<hr/>	<hr/>
	15,883,968	14,145,316

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized

250,000 Preferred shares of the par value of \$10 each, issuable in series, of which 125,000 are designated as Series A 6% cumulative preferred shares, redeemable at a 6% premium
3,000,000 Common shares without par value

Issued and fully paid

33,315 Series A preferred shares	333,150	333,150
961,590 Common shares (1974 — 956,318 common shares) (Note 6)	1,179,398	1,166,482

RETAINED EARNINGS

	1,512,548	1,499,632
	5,930,223	5,293,435
	7,442,771	6,793,067
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	23,326,739	20,938,383

Notes to Consolidated Financial Statements

For the year ended March 31, 1975

1. PRINCIPLES OF CONSOLIDATION

These financial statements include the accounts of Andrés Wines Ltd. and its subsidiaries, Andrés Wines (B.C.) Ltd., Andrés Wines (Alberta) Ltd., Andrés Wines Atlantic Ltd., and Les Vins Andrés du Québec Ltée. Certain of the 1974 figures have been reclassified to conform with the 1975 financial statement presentation.

2. FIXED ASSETS

	1975		1974	
	Cost \$	Accumulated Depreciation \$	Net \$	Net \$
Land.....	564,002	—	564,002	564,002
Buildings.....	4,327,335	395,093	3,932,242	3,906,921
Machinery and equipment.....	7,114,130	2,173,563	4,940,567	5,184,590
	<u>12,005,467</u>	<u>2,568,656</u>	<u>9,436,811</u>	<u>9,655,513</u>

3. SECURITY FOR BANK ADVANCES

Book debts have been pledged as security for bank advances. The company and its subsidiaries have also given a fixed and floating charge debenture on all assets ranking after the claims of other creditors described in Note 4, as collateral security for the bank advances.

4. LONG-TERM DEBT

	1975 \$	1974 \$
Bank advances repayable \$380,000 annually plus interest at prime bank rate plus 1-3/4%.....	1,029,994	1,409,998
Promissory notes due January 1, 1978 and 1979, with interest payable semi-annually at prime bank rate plus 1/2%.....	1,231,252	1,231,252
Debentures due January 1, 1980 and 1981 with interest payable semi-annually at prime bank rate plus 1/2%.....	1,209,349	1,209,349
Non-interest bearing debenture due January 1, 1981.....	300,000	300,000
Mortgage repayable in semi-annual instalments of \$90,000 plus interest at prime bank rate plus 1/2%	540,000	720,000
11-1/4% Mortgage bonds repayable in quarterly instalments of \$21,250 plus interest.....	446,250	531,250
9% First mortgage bonds, Series A, repayable in quarterly instalments of \$6,300 plus interest.....	138,600	163,800
10% Debentures due May 15, 1980 with interest payable semi-annually.....	75,000	75,000
9-1/4% Serial debenture, repayable in quarterly instalments of \$2,875 plus interest.....	14,375	25,875
9% Mortgage repayable in annual instalments of \$4,000 plus interest.....	8,000	12,000
Less: Current portion.....	<u>4,992,820</u>	<u>5,678,524</u>
	<u>685,700</u>	<u>685,700</u>
	<u>4,307,120</u>	<u>4,992,824</u>



5. FUTURE INCOME TAXES

(a) A subsidiary company has accumulated losses for tax purposes amounting to \$699,000 which can be carried forward to reduce taxable income in future years. These losses must be claimed no later than as follows:

	\$
Year ending December 31, 1978	352,000
1979	205,000
1980	<u>142,000</u>
	<u>699,000</u>

The future income tax benefit relating to \$347,000 of these losses has been recorded in the accounts.

(b) In addition, the subsidiary has reduced losses for income tax purposes by claiming less depreciation for income taxes than was recorded in the accounts. Future income tax benefit relating to \$221,000 of this depreciation has not been recorded in the accounts.

6. STOCK OPTIONS

158,080 (1974 — 163,352) unissued common shares have been reserved under stock option agreements. Of these, 132,182 (1974 — 138,712) have been granted, including 123,800 (1974 — 118,000) to directors and officers. As at March 31, 1975 111,370 (1974 — 51,000) shares were currently exercisable under the terms and conditions of the option agreements. The option price is either \$2.45 or \$3.00 and all options expire between November 18, 1981 and March 31, 1982.

During the year, options on 5,272 common shares, including 4,000 shares to directors and officers of the company, were exercised at the option price of \$2.45 per share.

7. EARNINGS PER COMMON SHARE

Earnings per common share is based on the net earnings for the year (less the 6% cumulative preferred share dividends) and the weighted average number of common shares outstanding during the year.

Fully diluted earnings per common share assumes the exercise of the shares granted under stock option agreements mentioned in Note 6 and investment of the proceeds at 11% (1974 — 9%) less applicable income taxes.

8. LEASE COMMITMENTS

The company has entered into lease agreements with varying expiry dates to March 31, 1980 for certain buildings and equipment. The annual lease payments required are as follows:

	\$
Year ending March 31, 1976	222,600
1977	199,600
1978	130,400
1979	14,200
1980	<u>10,600</u>
	<u>577,400</u>

9. STATUTORY INFORMATION RE: DIRECTORS AND OFFICERS

Information required by Section 122.2 of The Canada Corporations Act is:

- (a) There were eleven directors whose aggregate remuneration was \$9,000 (1974 — twelve directors; \$9,800)
- (b) There were nine officers whose aggregate remuneration as officers was \$366,900 (1974 — six officers; \$223,000)
- (c) The number of officers who were also directors was four.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Andrés Wines Ltd. and its subsidiaries as at March 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of Andrés Wines Ltd. and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of one subsidiary, Andrés Wines Atlantic Ltd.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at March 31, 1975 and the results of their operations and the changes in financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

May 20, 1975.

COOPERS & LYBRAND
Chartered Accountants.

Nine Year Summary

	1975	1974	1973	1972	1971	1970	(Seven Months)	1969	1968	1967
INCOME STATISTICS (in thousands dollars)										
Sales	16,174	14,534	13,975	8,660	4,832	2,592	1,129	1,358	983	
Income Taxes	1,047	1,215	1,957	1,023	461	200	75	53	7	
Net Earnings before										
Minority Interest	1,330	1,835	2,154	1,121	452	296	105	89	55	
Net Earnings	1,250	1,728	2,066	1,050	413	250	105	113	54	
Net Earnings										
Per Common Share										
— Basic	\$1.27	\$1.84	\$2.53	\$1.48	\$0.572	\$0.335	\$0.123	\$0.136	\$0.052	
— Fully Diluted	\$1.13	\$1.62	\$1.93	\$1.03	\$0.533	\$0.335	\$0.123	\$0.136	\$0.052	
DIVIDEND RECORD (in dollars)										
Per Preferred Share	\$.60	\$.60	\$.60	\$2.10	—	\$.35	\$.70	—	—	—
Per Common Share	\$.60	\$.30	—	—	—	—	—	—	—	—
BALANCE SHEET STATISTICS (in thousands dollars)										
Working Capital (deficiency)	4,043	3,614	3,065	2,063	1,443	1,544	428	402	(11)	
Fixed Assets (net)	9,471	9,698	4,830	3,740	2,371	1,747	1,009	956	682	
Long-Term Debt	4,307	4,993	2,161	2,617	1,978	1,961	412	441	87	
Minority Interest	663	601	498	412	347	267	222	236	54	
Shareholders' Equity	7,443	6,793	5,009	2,795	1,639	1,248	1,009	941	815	
Total Assets	23,327	20,938	12,626	9,217	5,489	4,078	2,113	1,893	1,422	
NUMBER OF SHARES OUTSTANDING										
Preferred Shares — Series A . . .	33,315	33,315	33,315	33,315	33,315	33,315	33,211	33,155	32,433	
Common	961,590	956,318	831,681	762,781	687,681	687,681	686,401	677,277	669,942	

Note: The year end was changed from August 31st to March 31st in 1969.

DIRECTORS

E. S. Arnold, Grimsby, Ontario
 J. A. Boychuck, Burlington, Ontario
 G. R. Dawson, Vancouver, B.C.
 G. S. Dembroski, Toronto, Ontario
 R. H. Jenkins, Calgary, Alberta
 C. O. Nickle, Calgary, Alberta
 C. Norwood, Halifax, Nova Scotia
 A. Peller, Ancaster, Ontario
 J. A. Peller, M.D., F.R.C.P.(C),
 Ancaster, Ontario
 R. E. Sobier, Don Mills, Ontario
 W. J. Walsh, M.D., F.R.C.P.(C),
 Hamilton, Ontario

REGISTRAR AND TRANSFER AGENT

The Canada Trust Company
 Montreal, Toronto, Calgary and Vancouver

OFFICERS

A. Peller, *Chairman of the Board*
 J. A. Peller, *President*
 E. S. Arnold, *Executive Vice-President*
 J. A. Boychuck, *Vice-President, Marketing*
 D. W. Campbell, *Vice-President, Western Division*
 D. B. Fitz, *Vice-President, Ontario Division*
 R. M. Logan, *Vice-President, Atlantic Division*
 N. D. Smith, *Vice-President, Finance & Secretary*

AUDITORS

Coopers & Lybrand

BANKER

The Royal Bank of Canada

HEAD OFFICE

Winona, Ontario

PLANT LOCATIONS

(including subsidiaries)
 Port Moody, British Columbia
 Calgary, Alberta
 Winona, Ontario
 St. Hyacinthe, Québec
 Truro, Nova Scotia



